

Message Text

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ACTION EA-09

INFO OCT-01 ISO-00 EB-08 L-03 (ISO) W
-----080606Z 116598 /73
R 080246Z APR 77
FM AMEMBASSY TAIPEI
TO SECSTATE WASHDC 3105

C O N F I D E N T I A L SECTION 1 OF 2 TAIPEI 1947

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E.O. 11652: GDS
TAGS: BEXP, PFOR, TW, US
SUBJECT: TAIPEI TRADE CENTER LEASE RENEWAL

REF: STATE 075306

1. IN EVALUATING THE U.S. TRADE CENTER IN TAIPEI WE HAVE CONCENTRATED ON THE NET CONTRIBUTION THE TRADE CENTER MAKES TO THE MISSION'S TRADE PROMOTION ACTIVITIES. WE HAVE NOT ADDRESSED THE QUESTIONS AS TO WHETHER TRADE CENTER ACTIVITIES ARE A PROPER FUNCTION OF THE U.S. GOVERNMENT AT ALL OR WHETHER THE TRADE CENTER SHOULD BE SUBSIDIZING FIRMS ALREADY ESTABLISHED IN THE MARKET - GROUNDS ON WHICH TRADE CENTERS IN GENERAL HAVE BEEN CRITICIZED - AS WE BELIEVE THESE QUESTIONS SHOULD BE MORE APPROPRIATELY ANSWERED BY WASHINGTON AGENCIES.

2. TAIWAN IS AN IMPORTANT AND GROWING MARKET WHICH OFFERS GOOD POTENTIAL FOR U.S. EXPORTS. IT SHOULD REMAIN A PROFITABLE AND SUITABLE TARGET FOR U.S. TRADE PROMOTION EFFORTS--SO LONG AS EXPORT PROMOTION IS A MAJOR U.S. POLICY OBJECTIVE. IN 1976, TAIWAN WAS THE UNITED STATES' 12TH MOST IMPORTANT TRADING PARTNER AND 18TH LARGEST IMPORTER OF U.S. PRODUCTS (WITH \$1.6 BILLION IN SALES). THE TAIWAN ECONOMY GREW AT A RATE OF 11.7 PERCENT IN 1976, AND A HEALTHY IF SOMEWHAT LOWER GROWTH RATE IS EXPECTED IN 1977 AND FUTURE YEARS. TAIWAN SHOULD THERE-
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FORE CONTINUE TO PROVIDE SUBSTANTIAL OPPORTUNITIES FOR THE SALE OF U.S. GOODS AND SERVICES.

3. THE TRADE CENTER IN TAIPEI HAS BEEN HIGHLY SUCCESSFUL IN TERMS OF THE TRADITIONAL MEASURES BY WHICH TRADE CENTERS ARE JUDGED: OFF-THE-FLOOR SALES, 12-MONTH PROJECTED SALES, AGENTS OR DISTRIBUTORS APPOINTED, AND NUMBERS OF VISITORS. IN CY

1976, THE FIVE REGULAR TRADE CENTER EXHIBITIONS HAD A TOTAL OF 131 EXHIBITORS WHO MADE OFF-THE-FLOOR SALES OF \$2,497,900 AND 12-MONTH PROJECTED SALES OF \$39,120,000. ATTENDANCE TOTALLED 17,833. TEN AGENTS OR DISTRIBUTORS WERE APPOINTED WITH FIVE AGREEMENTS UNDER NEGOTIATION BY THE 14 COMPANIES SEEKING REPRESENTATION. BETWEEN-SHOW PROMOTIONS ACCOUNTED FOR AN ADDITIONAL 76 EXHIBITORS WITH OFF-THE-FLOOR SALES OF \$841,648, 12-MONTH PROJECTED SALES OF \$17,219,848 AND 17,333 VISITORS DURING THE YEAR. IN CONTRAST TO COUNTRIES WHERE OTHER TRADE CENTERS ARE LOCATED, TAIWAN DOES NOT HAVE A DEVELOPED INTERNATIONAL TRADE FAIR PROGRAM WHERE FOREIGN FIRMS CAN EXHIBIT THEIR PRODUCTS. THE TRADE CENTER IN TAIPEI THUS OFFERS A UNIQUE FORUM FOR AMERICAN MANUFACTURERS TO DISPLAY THEIR GOODS AND MEET WITH POTENTIAL CUSTOMERS AND/OR AGENTS. THE TRADE CENTER ALSO PROVIDES THE U.S. TRADE PROMOTION EFFORT IN TAIWAN WITH A VISIBILITY IT WOULD OTHERWISE LACK.

4. WHILE WE BELIEVE THE ABOVE FIGURES DEMONSTRATE THAT THE TRADE CENTER HAS BEEN AND REMAINS HIGHLY PRODUCTIVE IN PROMOTING U.S. EXPORTS, A KEY FACTOR IS THE NET CONTRIBUTION IT MAKES, I.E., WHETHER SIMILAR RESULTS MIGHT HAVE BEEN REALIZED IN THE ABSENCE OF A TRADE CENTER. IT IS IMPOSSIBLE TO ESTIMATE WITH ANY PRECISION THE DEGREE TO WHICH SALES REPORTED BY THE TRADE CENTER WOULD HAVE BEEN MADE WITHOUT ITS ASSISTANCE. IT IS LIKELY, HOWEVER, THAT SOME OF THESE SALES WOULD HAVE BEEN MADE BY AGENTS OF OTM FIRMS, OR DIRECTLY BY INTERESTED EXPORTERS. ASSUMING THAT THE BULK OF THESE SALES REQUIRED COMMERCE AND TRADE CENTER SERVICES, THE QUESTION IS WHETHER

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THE EMBASSY'S ECON/COMM SECTION COULD HAVE PERFORMED SIMILAR SERVICES AND ACHIEVED SIMILAR RESULTS.

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TO SECSTATE WASHDC 3106

C O N F I D E N T I A L SECTION 2 OF 2 TAIPEI 1947

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5. MANY OF THE PROMOTIONAL ACTIVITIES PERFORMED BY THE TRADE CENTER PERSONNEL COULD BE ESSENTIALLY CONDUCTED BY THE ECON/ COMM SECTION. IN THE CASE OF LOCATING POTENTIAL AGENTS THE SECTION CUSTOMARILY PERFORMS THIS FUNCTION FOR THE TRADE CENTER. SIMILARLY, THE SECTION COULD PROBABLY STAGE U.S. TRADE SHOWS IN RENTED FACILITIES (ALTHOUGH THERE IS PRESENTLY A LACK IN TAIWAN OF SUITABLE FACILITIES COMPARABLE TO THE TRADE CENTER), ESPECIALLY IF COMMERCE GAVE ADEQUATE SUPPORT TO THESE EFFORTS FROM THE WASHINGTON END IN RECRUITING, FUNDING, ETC. ALSO THE SECTION COULD POSSIBLY PERFORM THE MARKET RESEARCH PRESENTLY DONE BY THE TRADE CENTER OR COULD CONTRACT WITH LOCAL FIRMS AS THE TRADE CENTER DOES FOR MOST OF ITS STUDIES. IN SUM, THE SECTION COULD PERFORM MOST OF THE FUNCTIONS OF THE TRADE CENTER, ALTHOUGH ITS STAFF IS NOT PRESENTLY SPECIFICALLY SKILLED NOR HAS IT HAD EXPERIENCE IN MANY ASPECTS OF STAGING TRADE SHOWS. IT SHOULD BE NOTED, HOWEVER, THAT WITH ITS CURRENT COUNTRY COMMERCIAL PROGRAM THE SECTION IS HARD PRESSED TO MEET ITS OWN CCP COMMITMENTS MUCH LESS TAKING ON ADDITIONAL ACTIVITIES. TO ADEQUATELY PERFORM THE PRESENT FUNCTIONS OF BOTH THE REGULAR COMMERCIAL PROGRAM AND THE TRADE CENTER, THE EMBASSY WOULD EITHER HAVE TO HIRE ADDITIONAL STAFF OR SUB-CONTRACT LIBERALLY FOR SERVICES.

6. THE CHIEF POTENTIAL WEAKNESS IN THE TRADE CENTER SYSTEM IS THAT TO JUSTIFY THE MAINTENANCE OF PERMANENT EXHIBITION
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FACILITY, A MINIMUM OF FIVE OR SIX SHOWS A YEAR MUST BE MOUNTED. SHOW CATEGORIES ARE ULTIMATELY SELECTED BY COMMERCE WHETHER OR NOT THE MARKET PROSPECTS FULLY JUSTIFY THEM. FURTHER, THE TRADE CENTER CANNOT ALWAYS GET THE THEMES WITH THE BEST MARKET POTENTIAL AT ANY PARTICULAR POINT OF TIME DUE TO SCHEDULING CONFLICTS OR RECRUITING DIFFICULTIES IN WASHINGTON. WITHOUT THE PRESSURE OF THE FIXED COSTS OF A PERMANENT FACILITY, IT MIGHT BE POSSIBLE TO FOCUS ON FEWER BUT MORE PRODUCTIVE PRODUCT THEMES.

7. ON BALANCE, WE BELIEVE THAT THE U.S. TRADE CENTER IN TAIPEI MAKES A VALUABLE NET CONTRIBUTION TO THE MISSION'S TRADE PROMOTION PROGRAMS AND ACHIEVES RESULTS WITH A COST/BENEFIT RATIO PROBABLY AS GOOD OR BETTER THAN MOST U.S. GOVERNMENT PROGRAMS. AS NOTED ABOVE, THESE RESULTS COULD PROBABLY BE DUPLICATED

IN MOST RESPECTS BY THE ECON/COMMERCIAL SECTION BUT NOT WITHOUT THE PROVISION OF ADDITIONAL PERSONNEL AND FUNDING.

8. WE MIGHT ALSO MENTION THAT IN THE RATHER UNCERTAIN POSITION THE ROC FINDS ITSELF WITH RESPECT TO ITS POLITICAL RELATIONS WITH THE UNITED STATES, THE TRADE CENTER PROVIDES A HIGHLY VISIBLE SYMBOL OF CONTINUING USG INTEREST IN PROMOTING MUTUALLY BENEFICIAL ECONOMIC RELATIONS WITH TAIWAN. CONVERSELY, THE CLOSURE OF THE TRADE CENTER WOULD BE READ AS AN INDICATION OF REDUCED U.S. INTEREST IN TRADE TIES AND WOULD HAVE AN ADVERSE EFFECT ON BUSINESS CONFIDENCE.
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